

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

JUNE 30, 2008

HARRINGTON & ASSOCIATES, LTD.
CERTIFIED PUBLIC ACCOUNTANT

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2008

Board Members:

James McGillvrey - Board President
Richard Peterson - Vice President
Debra Herdman
Lisa Boomsma
Cheryl VanAsperen
Ted Haeder
Kelly Jo Moser

Superintendent:

James Cutshaw

Business Manager:

Amy Langbehn

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
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CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

School Board
Wolsey-Wessington School District No. 2-6
Beadle County, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wolsey-Wessington School District No. 2-6, Beadle County, South Dakota, as of June 30, 2008 and for the year then ended which collectively comprise Wolsey-Wessington School District's basic financial statements and have issued our report thereon dated May 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wolsey-Wessington School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wolsey-Wessington School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of the Wolsey-Wessington School District No. 2-6 and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Harrington & Associates, PLLC

Huron, South Dakota

May 15, 2009

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:

There are no prior written audit comments.

PRIOR OTHER AUDIT FINDINGS:

There are no prior written audit comments.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

There are no written current other audit findings to report.

CLOSING CONFERENCE

The closing conference was held on May 15, 2009 with Amy Langbehn, Business Manager.

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INDEPENDENT AUDITOR'S REPORT

School Board
Wolsey-Wessington School District No. 2-6
Beadle County, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wolsey-Wessington School District No. 2-6, Beadle County, South Dakota, as of June 30, 2008 and for the year then ended which collectively comprise Wolsey-Wessington School District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of Wolsey-Wessington School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Wolsey-Wessington School District No. 2-6 as of June 30, 2008 and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated May 15, 2009 on our consideration of Wolsey-Wessington School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and, should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 15 and 47 through 54, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hawington & Associates, ITD.

Huron, South Dakota
May 15, 2009

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Wolsey-Wessington School District 2-6 annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2008. Please read it in conjunction with the School's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$364,033 more than the \$2,115,601 governmental and business-type program expenditures.
- The total cost of the School's programs decreased by less than 1%.
- The general fund reported a \$119,160 current year surplus primarily due to controlling expenses and an unexpected revenue of \$43,330 from Beadle County.
- In the governmental funds, total fund balance increased \$226,582. There was an increase of \$119,160 in General Fund, an increase of \$78,706 in Capital Outlay, a increase of \$24,764 in Special Education, and an increase of \$3,952 in Pension Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The only proprietary fund operated by the school is the Food Service Operation.
 - Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Wolsey-Wessington School's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds and the fiduciary component units)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the School operates similar to private businesses, the food service operation.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Assets *Statement of Cash Flows	*Statement of Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6 MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the School are reported in two categories:

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) is the only proprietary fund maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's combined net assets increased as follows:

**Table A-1
Wolsey-Wessington School District 2-6
Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and Other Assets	\$ 1,845,077	\$ 2,128,578	\$ 7,053	\$ 11,955	\$ 1,852,130	\$ 2,140,533
Capital Assets	1,438,152	1,446,198	16,050	35,745	1,454,202	1,481,943
Total Assets	<u>\$ 3,283,229</u>	<u>\$ 3,574,776</u>	<u>\$ 23,103</u>	<u>\$ 47,700</u>	<u>\$ 3,306,332</u>	<u>\$ 3,622,476</u>
Long Term Debt Outstanding	\$ 428,490	\$ 345,859	\$ 1,262	\$ 1,335	\$ 429,752	\$ 347,194
Other Liabilities	225,950	258,628	1,068	3,059	227,018	261,687
Total Liabilities	<u>654,440</u>	<u>604,487</u>	<u>2,330</u>	<u>4,394</u>	<u>656,770</u>	<u>608,881</u>
Net Assets:						
Invested in Capital Assets	1,023,152	1,111,198	16,050	35,744	1,039,202	1,146,942
Restricted	372,098	517,902	4,723	7,562	376,821	525,464
Unrestricted	1,233,539	1,341,189	—	—	1,233,539	1,341,189
Total Net Assets	<u>\$ 2,628,789</u>	<u>\$ 2,970,289</u>	<u>\$ 20,773</u>	<u>\$ 43,306</u>	<u>\$ 2,649,562</u>	<u>\$ 3,013,595</u>
Beginning Net Assets	<u>\$ 2,372,079</u>	<u>\$ 2,628,789</u>	<u>\$ 22,179</u>	<u>\$ 20,773</u>	<u>\$ 2,394,258</u>	<u>\$ 2,649,562</u>
Increase (Decrease) in Net Assets	<u>\$ 256,710</u>	<u>\$ 341,500</u>	<u>\$ (1,406)</u>	<u>\$ 22,533</u>	<u>\$ 255,304</u>	<u>\$ 364,033</u>
Percentage of Increase (Decrease) in Net Assets	<u>10.8%</u>	<u>13.0%</u>	<u>(6.3)%</u>	<u>108.5%</u>	<u>10.7%</u>	<u>13.7%</u>

The district's combined net assets of approximately \$3 million is approximately \$364,000 or 13.7% larger than on June 30, 2007. Most of the increase in the district's financial position came from its governmental activities.

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable, have been reported in this manner on the Statement of Net Assets. The difference between the school's assets and liabilities is its net assets.

Changes in Net Assets

The district's total revenues (excluding transfers) totaled \$2,479,634 (See Table A-4.) This was a 4.3% increase. Approximately 55% of the district's revenue comes from property and other taxes, with another 24% from state aid. (See Table A-2)

Table A-2
Wolsey-Wessington School District 2-6
Sources of Revenues
Fiscal Year 2007-2008

Taxes	\$ 1,375,991	55.49%
State Sources	603,938	24.36%
Operating Grants & Contributions	257,922	10.40%
Capital Grants & Contributions	24,039	.97%
Charges for Services	75,998	3.06%
Miscellaneous	129,738	5.23%
Unrestricted Investment Earnings	<u>12,008</u>	<u>0.49%</u>
Total Revenue	<u>\$ 2,479,634</u>	<u>100.00%</u>

The district's total expenses totaled \$2,115,601. (See Table A-4.) This was less than a 1.0% decrease. The School's expenses cover a range of services, encompassing instruction, support services and food services. (See Table A-3)

Table A-3
Wolsey-Wessington School District 2-6
Statement of Expenditures
Fiscal Year 2007-2008

Instruction	\$ 1,119,830	52.93%
Support Services	743,395	35.14%
Community Service	46,565	2.20%
Interest on Long Term Debt	14,915	.71%
Cocurricular Activities	73,357	3.47%
Food Service	<u>117,539</u>	<u>5.55%</u>
Total Expenditures	<u>\$ 2,115,601</u>	<u>100.00%</u>

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENTAL ACTIVITIES:

Table A-4 and the narrative that follows considers the operations of the governmental activities.

	Total Governmental Activities		Total Business-Type Activities		Total		Total Percentage Change
	2007	2008	2007	2008	2007	2008	
Revenues							
Program Revenues							
Charges for Services	\$ 23,524	\$ 26,040	\$ 49,906	\$ 49,958	\$ 73,430	\$ 75,998	3.5%
Operating Grants and Contributions	213,943	205,847	48,979	52,075	262,922	257,922	-1.9%
Capital Grants and Contributions	-	-	-	24,039	-	24,039	100.0%
General Revenues							
Taxes	1,361,330	1,375,991	-	-	1,361,330	1,375,991	1.1%
Revenue State Sources	576,979	603,938	601	-	577,580	603,938	4.6%
Other General Revenues	86,724	129,738	-	-	86,724	129,738	49.6%
Unrestricted Investment Earnings	15,990	12,008	-	-	15,990	12,008	-24.9%
Total Revenues	2,278,490	2,353,562	99,486	126,072	2,377,976	2,479,634	4.3%
Expenses							
Instruction	1,100,392	1,119,830	-	-	1,100,392	1,119,830	1.8%
Support Services	770,644	743,395	-	-	770,644	743,395	-3.5%
Community Services	55,455	46,565	-	-	55,455	46,565	-16.0%
Nonprogrammed Charges	3,216	-	-	-	3,216	-	-100.0%
Interest on Long Term Debt	16,915	14,915	-	-	16,915	14,915	-11.8%
Cocurricular Activities	71,158	73,357	-	-	71,158	73,357	3.1%
Food Service/Concessions	-	-	104,892	117,539	104,892	117,539	12.1%
Total Expenses	2,017,780	1,998,062	104,892	117,539	2,122,672	2,115,601	-0.3%
Excess (Deficiency) Before Special Items and Transfers	260,710	355,500	(5,406)	8,533	255,304	364,033	42.6%
Transfers	(4,000)	(14,000)	4,000	14,000	-	-	0.0%
Increase (Decrease) in Net Assets	\$ 256,710	\$ 341,500	\$ (1,406)	\$ 22,533	\$ 255,304	\$ 364,033	42.6%
Ending Net Assets	\$ 2,628,789	\$ 2,970,289	\$ 20,773	\$ 43,306	\$ 2,649,562	\$ 3,013,595	13.7%

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6 MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues for the School's governmental activities increased 3.29% while expenses for governmental activities decreased by .98%. All areas of revenue stayed relatively the same. The slight percentage decrease in expenses was a result of many different means of controlling expenses.

BUSINESS-TYPE ACTIVITIES

Revenues of the School's business-type activities (Food Service Operation) increased by approximately 27% to \$126,072 and expenses increased by approximately 12% to \$117,539. Factors contributing to this result included:

- Increase in revenues was due to an increase in lunch sales. The Food Service Fund also received approximately \$24,000 in Capital Contributions from the Capital Outlay Fund.
- The primary reason for the increase in expenses was due to cost of living and higher food prices.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General, Capital Outlay, Special Education and Pension Funds had an increase in fund balance for the year by \$119,160, \$78,706, \$24,764 and \$3,952, respectively.

BUDGETARY HIGHLIGHT

Over the course of the year, the School Board revised the School budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

Some of the increases in the General Fund were due to increases in gas and heating costs and grants received throughout the year. There were supplements made to the budget for an increase in grant money received.

CAPITAL ASSET ADMINISTRATION

By the end of 2008, the district had invested \$1,481,943 in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) There is a .56% increase in net capital assets for the governmental activities and a 122.71% increase in net capital assets for the business activities. The school purchased approximately \$120,000 in new capital assets during FY08 between the governmental and business activities.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6 MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table A-5
WOLSEY-WESSINGTON DISTRICT - Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2007	2008	2007	2008	2007-2008	2007-2008
Land	\$ 46,040	\$ 46,040	\$ -	\$ -	\$ -	0.00%
Buildings	1,055,103	1,098,640	-	-	43,537	4.13%
Improvements Other Than Buildings	43,373	35,745	-	-	(7,628)	-17.59%
Machinery and Equipment	293,636	265,773	16,050	35,745	(8,168)	-2.64%
Total Capital Assets (Net)	\$ 1,438,152	\$ 1,446,198	\$ 16,050	\$ 35,745	\$ 27,741	1.91%

This year's major capital asset purchases were primarily air conditioning, a sign, a laminator, a chain link fence, a water heater, a mixer, a freezer and a refrigerator. The school also received approximately \$5,890 in donated books for the library.

LONG-TERM DEBT

At year-end, the School had \$347,194 in long-term obligations. This is a decrease of 19.2% as shown on Table A-6 below.

**Table A-6
WOLSEY-WESSINGTON DISTRICT - Outstanding Debt and Obligations**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2007	2008	2007	2008	2007-2008	2007-2008
Capital Outlay Certificates	\$ 415,000	\$ 335,000	\$ -	\$ -	\$ (80,000)	-19.28%
Compensated Absences	13,490	10,859	1,262	1,335	(2,558)	-17.34%
Total Outstanding Debt and Obligations	\$ 428,490	\$ 345,859	\$ 1,262	\$ 1,335	\$ (82,558)	-19.21%

Compensated absences payable is sick leave earned but not taken by eligible employees.

During fiscal year 2008, the School paid \$80,000 in principal and \$14,415 in interest on our capital outlay certificates.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School's current economic position has shown little change. The School's total property valuation for the 2007 taxes payable in 2008 is \$178,822,358. The School did experience an increase in total property valuation of \$18,419,340 or 9% from the prior year. The increase in property valuation allows the School the ability to increase the amount of revenue generated from property taxes, however, the total amount which can be levied is limited by the State of South Dakota.

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS**

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,529 per pupil. The allocation for the next year has been increased by 3%; however the school had experienced a reduction of 6 students average daily membership (ADM) between the two years. This reduction in ADM will result in the school receiving less overall revenue from the State of South Dakota even with the increase in the allocation.

The school's enrollment for the last two years has been as follow:

**Table A-7, Wolsey-Wessington School District ADM
For the Last Two Years**

<u>YEAR</u>	<u>ADM</u>	<u>Percent</u>
2008	211	(2.8%)
2007	217	.4%

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Wolsey-Wessington School's Business Office, 375 Ash St. SE, Wolsey, SD 57384.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF NET ASSETS
JUNE 30, 2008

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	
	ACTIVITIES	ACTIVITIES	TOTAL
ASSETS:			
Cash and Cash Equivalents	\$ 1,319,597	\$ 7,172	\$ 1,326,769
Taxes Receivable	675,432	-	675,432
Incidental Imprest Account	2,000	-	2,000
Inventories	-	2,231	2,231
Other Assets	131,549	2,552	134,101
Capital Assets:			
Land	46,040	-	46,040
Other Capital Assets, Net of Depreciation	1,400,158	35,745	1,435,903
TOTAL ASSETS	\$ 3,574,776	\$ 47,700	\$ 3,622,476
LIABILITIES:			
Accounts Payable	\$ 106,384	\$ 925	\$ 107,309
Other Current Liabilities	152,244	2,134	154,378
Noncurrent Liabilities:			
Due Within One Year	81,000	-	81,000
Due in More than One Year	264,859	1,335	266,194
TOTAL LIABILITIES	604,487	4,394	608,881
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,111,198	35,744	1,146,942
Restricted for:			
Capital Outlay	421,279	-	421,279
Special Education	77,716	-	77,716
Food Service	-	7,562	7,562
Pension	18,907	-	18,907
Unrestricted	1,341,189	-	1,341,189
TOTAL NET ASSETS	2,970,289	43,306	3,013,595
TOTAL LIABILITIES AND NET ASSETS	\$ 3,574,776	\$ 47,700	\$ 3,622,476

The accompanying notes are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	
Primary Government:			
Governmental Activities:			
Instruction	\$ 1,119,830	\$	3,875
Support Services	719,356		-
Community Services	46,565		4,500
Interest on Long Term Debt	14,915		-
Cocurricular Activities	73,357		17,665
Total Governmental Activities	1,974,023		26,040
Business-Type Activities			
Food Service	117,539		49,958
Total Business-Type Activities	117,539		49,958
Total Primary Government	\$ 2,091,562	\$	75,998

The accompanying notes are an integral part of these financial statements.

PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		PRIMARY GOVERNMENT		
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ 205,847	\$ -	\$ (910,108)	\$ -	\$ (910,108)
-	5,890	(713,466)	-	(713,466)
-	-	(42,065)	-	(42,065)
-	-	(14,915)	-	(14,915)
-	-	(55,692)	-	(55,692)
205,847	5,890	(1,736,246)	-	(1,736,246)
52,075	-	-	(15,506)	(15,506)
52,075	-	-	(15,506)	(15,506)
\$ 257,922	\$ 5,890	\$ (1,736,246)	\$ (15,506)	\$ (1,751,752)

GENERAL REVENUES AND TRANSFERS:

Taxes:			
Property Taxes	\$ 1,300,032	\$ -	\$ 1,300,032
Gross Receipts Taxes	70,069	-	70,069
Revenue from State Sources:			
State Aid	603,938	-	603,938
Unrestricted Investment Earnings	12,008	-	12,008
Other General Revenues	129,738	-	129,738
Transfers	(38,039)	38,039	-
Total General Revenues and Transfers	2,077,746	38,039	2,115,785
Change in Net Assets	341,500	22,533	364,033
Net Assets-Beginning	2,628,789	20,773	2,649,562

Net Assets-Ending	\$ 2,970,289	\$ 43,306	\$ 3,013,595
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WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	GENERAL FUND	CAPITAL OUTLAY FUND
ASSETS:		
Cash and Cash Equivalents	\$ 752,330	\$ 458,422
Taxes Receivable--Current	306,168	200,058
Taxes Receivable--Delinquent	9,930	4,807
Accounts Receivable	6,773	-
Due From Other Government	124,776	-
Advance Payments	2,000	-
TOTAL ASSETS	\$ 1,201,977	\$ 663,287
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	42,934	60,215
Contracts Payable	95,272	-
Payroll Deductions and Withholding and Employer Matching Payable	32,675	-
Deferred Revenue	316,098	204,865
Total Liabilities	486,979	265,080
Fund Balances:		
Unreserved Fund Balances:		
Designated for Cash Flow	123,720	-
Undesignated	591,278	398,207
Total Fund Balances	714,998	398,207
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,201,977	\$ 663,287

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND	PENSION FUND	TOTAL GOVERNMENTAL FUNDS
\$ 92,850	\$ 15,995	\$ 1,319,597
124,401	26,645	657,272
2,866	557	18,160
-	-	6,773
-	-	124,776
-	-	2,000
<u>\$ 220,117</u>	<u>\$ 43,197</u>	<u>\$ 2,128,578</u>

3,235	-	106,384
19,532	-	114,804
4,765	-	37,440
<u>127,267</u>	<u>27,202</u>	<u>675,432</u>
<u>154,799</u>	<u>27,202</u>	<u>934,060</u>

8,927	2,681	135,328
<u>56,391</u>	<u>13,314</u>	<u>1,059,190</u>
<u>65,318</u>	<u>15,995</u>	<u>1,194,518</u>
<u>\$ 220,117</u>	<u>\$ 43,197</u>	<u>\$ 2,128,578</u>

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balances - Governmental Funds	\$ 1,194,518
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	The cost of capital assets are Accumulated depreciation is Net	2,274,111 <u>(827,913)</u>	1,446,198
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Long-term liabilities, including capital outlay certificate payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	Accrued leave payable Capital Outlay Certificates Net	(10,859) <u>(335,000)</u>	(345,859)
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Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds.	General Fund receivable General Fund delinquent Net	306,168 <u>9,930</u>	316,098
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	Capital Outlay Fund receivable Capital Outlay Fund delinquent Net	200,058 <u>4,807</u>	204,865
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	Special Education fund receivable Special Education fund delinquent Net	124,401 <u>2,866</u>	127,267
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	Pension fund receivable Pension fund delinquent Net	26,645 <u>557</u>	<u>27,202</u>
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Net Assets-Governmental Funds	\$ <u>2,970,289</u>
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The accompanying notes are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	GENERAL FUND	CAPITAL OUTLAY FUND
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 623,825	\$ 378,294
Prior Years' Ad Valorem Taxes	3,387	1,661
Tax Deed Revenue	50	-
Gross Receipts Taxes	70,069	-
Penalties and Interest on Taxes	1,814	999
Tuition and Fees		
Summer School Fees	3,875	-
Earnings on Investments and Deposits	6,845	4,203
Cocurricular Activities:		
Admissions	13,601	-
Rentals, Cocurricular Activities	985	-
Other Pupil Activity	3,079	-
Other Revenue from Local Sources:		
Daycare Services	4,500	-
Other	26,467	2,539
Revenue from Intermediate Sources:		
County Sources:		
County Apportionment	24,010	-
Revenue in Lieu of Taxes	6,345	-
Other Intermediate	43,331	-
Revenue from State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	598,360	-
Other State Revenue	24,091	2,500
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	126,016	-
Other Federal Revenue	28,917	-
Total Revenue	\$ 1,609,567	\$ 390,196

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND		PENSION FUND		TOTAL GOVERNMENTAL FUNDS	
\$	236,676	\$	50,709	\$	1,289,504
	1,011		215		6,274
	-		-		50
	-		-		70,069
	618		132		3,563
	-		-		3,875
	841		119		12,008
	-		-		13,601
	-		-		985
	-		-		3,079
	-		-		4,500
	-		-		29,006
	-		-		24,010
	-		-		6,345
	-		-		43,331
	5,578		-		603,938
	-		-		26,591
	50,914		-		176,930
	-		-		28,917
\$	295,638	\$	51,175	\$	2,346,576

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008

	GENERAL FUND	CAPITAL OUTLAY FUND
Expenditures:		
Instruction:		
Regular Programs:		
Elementary	\$ 223,509	\$ 25,025
Middle School	202,200	23,511
High School	265,960	30,991
Special Programs:		
Programs for Special Education	-	-
Educationally Deprived	75,790	-
Support Services:		
Support Services - Pupils:		
Attendance and Social Work		
Guidance	7	-
Health	-	-
Psychological	6,244	-
Speech Pathology	-	-
Student Therapy Services	-	-
Support Services - Instructional Staff:		
Improvement of Instruction	44,576	-
Educational Media	22,405	150
Support Services - General Administration:		
Board of Education	16,216	-
Executive Administration	99,238	397
Support Services - School Administration:		
Office of the Principal	48,049	-
Other	696	-
Support Services - Business:		
Fiscal Services		
Operation and Maintenance of Plant	52,846	443
Pupil Transportation	209,176	10,427
	104,890	1,361
Support Service - Special Education		
Transportation Costs	-	-
Other	-	-
Community Service		
Care and Custody of Children	46,565	-
Debt Service	-	94,915
Cocurricular Activities:		
Male Activities	14,916	-
Female Activities	14,507	-
Transportation	4,641	-
Combined Activities	29,594	-
Capital Outlay	-	120,067
Total Expenditures	1,482,025	307,287
Excess of Revenue Over (Under) Expenditures	127,542	82,909

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND	PENSION FUND	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 9,644	\$ 258,178
-	7,595	233,306
-	9,967	306,918
208,449	6,880	215,329
-	-	75,790
-	-	7
22,360	-	22,360
-	-	6,244
7,436	-	7,436
26,313	-	26,313
4,893	-	4,893
-	-	44,576
-	563	23,118
-	-	16,216
-	4,555	104,190
-	2,340	50,389
-	-	696
-	1,920	55,209
-	1,887	221,490
-	-	106,251
178	-	178
404	-	404
-	-	46,565
-	-	94,915
-	438	15,354
-	494	15,001
-	-	4,641
-	821	30,415
-	-	120,067
270,033	47,104	2,106,449
25,605	4,071	240,127

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008

	GENERAL FUND	CAPITAL OUTLAY FUND
Other Financing Sources (Uses):		
Transfer In	5,163	-
Transfers Out	(14,000)	(4,203)
Sale of Surplus Property	455	-
Total Other Financing Sources (Uses)	(8,382)	(4,203)
Net Change in Fund Balances	119,160	78,706
Fund Balance - Beginning	595,838	319,501
Fund Balance - Ending	\$ 714,998	\$ 398,207

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND	PENSION FUND	TOTAL GOVERNMENTAL FUNDS
-	-	5,163
(841)	(119)	(19,163)
-	-	455
(841)	(119)	(13,545)
24,764	3,952	226,582
40,554	12,043	967,936
\$ 65,318	\$ 15,995	\$ 1,194,518

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds	\$ 226,582
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Capital Outlays	120,067	
Depreciation Expense	<u>(93,868)</u>	
Net		26,199

Payment on principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.

Capital Outlay Certificates	80,000
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Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities. The amount reported is the change in deferred tax revenues from last year.

Taxes Receivable - Current	657,272	
Taxes Collected:		
July - December, 2007	<u>(656,631)</u>	641

Governmental funds recognize expenditures for amount of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by the employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when they earn leave credits.

Change in Accrue Leave Liability	2,188
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The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government wide statements.

	<u>5,890</u>
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Change in net assets of governmental activities

	<u>\$ 341,500</u>
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The accompanying notes are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2008

	<u>ENTERPRISE FUNDS</u> <u>FOOD SERVICE</u> <u>FUND</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 7,172
Accounts Receivable, Net	2,552
Inventory of Supplies	429
Inventory of Stores Purchased for Resale	780
Inventory of Donated Food	<u>1,022</u>
Total Current Assets	<u>11,955</u>
Capital Assets:	
Machinery and Equipment--Local Funds	60,817
Less: Accumulated Depreciation	<u>(25,072)</u>
Total Noncurrent Assets	<u>35,745</u>
TOTAL ASSETS	<u><u>\$ 47,700</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 925
Payroll Deductions and Withholdings and Employer	
Matching Payable	1,054
Accrued Leave Payable	1,335
Deferred Revenue	<u>1,080</u>
Total Current Liabilities	<u>4,394</u>
NET ASSETS:	
Invested in Capital Assets	35,744
Unrestricted Net Assets	<u>7,562</u>
Total Net Assets	<u>43,306</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 47,700</u></u>

The accompanying notes are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	ENTERPRISE FUNDS
	FOOD SERVICE
	FUND
Operating Revenue:	
Sales:	
To Pupils	\$ 41,965
To Adults	5,308
Other	2,685
Total Operating Revenue	49,958
Operating Expenses:	
Food Service:	
Salaries	39,341
Employee Benefits	18,000
Purchased Services	1,431
Supplies	2,783
Cost of Sales - Purchased Food	44,923
Cost of Sales - Donated Food	6,649
Miscellaneous	68
Depreciation - Local Funds	4,344
Total Operating Expenses	117,539
Operating Loss	(67,581)
Nonoperating Revenue:	
State Sources:	
Cash Reimbursements	594
Federal Sources:	
Cash Reimbursements	44,365
Donated Food	7,116
Total Nonoperating Revenue	52,075
Loss Before Contributions and Transfers	(15,506)
Capital Contributions	24,039
Transfers In	14,000
Change in Net Assets	22,533
Net Assets - Beginning	20,773
Net Assets - Ending	\$ 43,306

The accompanying notes are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	ENTERPRISE FUNDS FOOD SERVICE FUND
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 49,734
Payments to Suppliers	(48,279)
Payments to Employees	(57,282)
Net Cash Used by Operating Activities	(55,827)
Cash Flows from Noncapital Financing Activities:	
Cash Reimbursements - State	594
Cash Reimbursements - Federal	44,365
Operating Transfers - In	14,000
Net Cash Provided by Noncapital Financing Activities	58,959
Net Increase in Cash and Cash Equivalents	\$ 3,132
Cash and Cash Equivalents at Beginning of Year	\$ 4,040
Cash and Cash Equivalents at End of Year	7,172
Net Increase in Cash and Cash Equivalents	\$ 3,132
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (67,581)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,344
Noncash Cost of Sales-Commodities	6,649
Change in Assets and Liabilities:	
Accounts Receivables	(1,305)
Accounts Payable and Other Liabilities	999
Accrued Wages Payable	(13)
Deferred Revenue	1,080
Net Cash Used by Operating Activities	\$ (55,827)
Noncash Investing, Capital and Financing Activities:	
Capital Contribution	\$ 24,039
Value of Commodities Received	7,116

The accompanying notes are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	AGENCY FUNDS
ASSETS:	
Cash and Cash Equivalents	\$ 33,913
TOTAL ASSETS	\$ 33,913
LIABILITIES:	
Amounts Held for Others	\$ 33,913
NET ASSETS	-
TOTAL LIABILITIES AND NET ASSETS	\$ 33,913

The accompanying notes are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Financial Reporting Entity:

The reporting entity of Wolsey-Wessington School District No. 2-6, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on the organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to government entities in the United States of America.

b. Basis of Presentation:

Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets).

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

Net assets are displayed in three components, as applicable, invested in capital assets, net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund: A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund: A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance that reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund: A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

Food Service Fund: A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains several agency funds for various class years, clubs, and athletic teams which account for the monies earned for the various class, club or team projects.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-Wide Financial Statements: In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements: In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-Wide Financial Statements: In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

c. Measurement Focus and Basis of Accounting: (cont'd)

Basis of Accounting: (cont'd)

accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements: All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Wolsey-Wessington School District 2-6, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2008 are mostly grants due from state and federal government.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The governmental business-type activities and enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements: In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund balances in the fund financial statements have been eliminated or reclassified, as follows:

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

d. Interfund Eliminations and Reclassifications: (cont'd)

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

Fund Financial Statements: Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "due from" asset accounts) are considered "available spendable resources."

e. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is first in first out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

For the governmental activities and proprietary fund types, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the government-wide and the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material inventories were on hand at June 30, 2008.

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

f. Capital Assets: (cont'd)

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the estimated fair value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2008 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ --	--	--
Land Improvements	\$ 5,000	Straight-line	10-20 years
Buildings	\$ 5,000	Straight-line	50-75 years
Machinery & Equipment	\$ 5,000	Straight-line	5-20 years

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of capital outlay certificates and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payment of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is the accrual basis, the same in the fund statements as it is in the government-wide statements.

h. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

j. Accumulated Unpaid Vacation and Sick Leave:

Annual leave is earned by the employees at the rate of ten days per year depending on position. Upon termination, employees are not entitled to receive compensation for their accrued annual leave balance.

Sick leave is earned by the employees at the rate of ten to twelve days per year depending on position. Upon termination, certified employees are entitled to receive \$10 per day for unused sick leave days if they leave the School District.

k. Deferred Revenue:

Under the modified accrual basis of accounting, receivables, such as taxes receivable, may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

l. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. The enterprise fund has access to its cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

m. Equity Classifications:

Government-Wide Financial Statements: Equity is classified as net assets and is displayed in three components:

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

m. Equity Classifications: (cont'd)

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements: Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

n. Application of Net Assets:

It is the School District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

o. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-loan fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost plus interest, if the account is of the add-on type.

Interest Rate Risk - The School District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (CONT'D)

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund for all governmental funds.

The United States generally accepted accounting principles, on the other hand, requires income from deposits and investments to be recorded in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

3. PROPERTY TAX:

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

4. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the fiscal year ended June 30, 2008 is as follows:

Primary Government:

	<u>Balance</u> <u>7/01/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/08</u>
Governmental activities: Capital assets, not being depreciated:				
Land	\$ 46,040	\$ --	\$ --	\$ 46,040
Capital assets, being depreciated:				
Buildings	1,480,512	75,211	--	1,555,723
Improvements other than Buildings	92,076	--	--	92,076
Machinery and Equipment	553,569	26,703	--	580,272
Totals	<u>2,126,157</u>	<u>101,914</u>	<u>--</u>	<u>2,228,071</u>
Less accumulated depreciation for:				
Buildings	425,409	31,674	--	457,083
Improvements other than buildings	48,703	7,628	--	56,331
Machinery and Equipment	259,933	54,566	--	314,499
Total accumulated Depreciation	<u>734,045</u>	<u>93,868</u>	<u>--</u>	<u>827,913</u>
Total capital assets, being depreciated, net	<u>1,392,112</u>	<u>8,046</u>	<u>--</u>	<u>1,400,158</u>
Governmental activity capital assets, net	<u>\$ 1,438,152</u>	<u>\$ 8,046</u>	<u>\$ --</u>	<u>\$ 1,446,198</u>

During FY08, the school purchased air conditioning, a sign, a laminator, and a chain link fence. The school also received approximately \$5,890 in donated books for the library.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

4. CHANGES IN CAPITAL ASSETS: (CONT'D)

Depreciation expense for FY08 was
charged to functions as follows:

Governmental activities:

Instruction	\$ 32,497
Support Services	53,425
Cocurricular activities	7,946
Total depreciation expense-governmental activities	<u>\$ 93,868</u>

	Balance 7/01/07	Increases	Decreases	Balance 6/30/08
Business-type activities:				
Capital assets, being depreciated:				
Machinery and Equipment	\$ 41,338	\$ 24,039	\$ 4,560	\$ 60,817
Totals	<u>41,338</u>	<u>24,039</u>	<u>4,560</u>	<u>60,817</u>
Less accumulated depreciation for:				
Machinery and Equipment	25,288	4,344	4,560	25,072
Total accumulated Depreciation	<u>25,288</u>	<u>4,344</u>	<u>4,560</u>	<u>25,072</u>
Total capital assets, being depreciated, net	<u>16,050</u>	<u>19,695</u>	<u>--</u>	<u>35,745</u>
Business-type activity capital assets, net	<u>\$ 16,050</u>	<u>\$ 19,695</u>	<u>\$ --</u>	<u>\$ 35,745</u>

During FY08, the school purchased a water heater, a mixer, a freezer and a refrigerator. These were all purchased by the Capital Outlay Fund and contributed to the Food Service Fund.

5. LONG-TERM LIABILITIES:

A summary of changes in long-term debt follows:

	Balance 7/01/07	Increases	Decreases	Balance 6/30/08	Amount Due Within One Year
Governmental Activities:					
Capital Outlay					
Certificates	\$ 415,000	\$ --	\$ 80,000	\$ 335,000	\$ 80,000
Compensated					
Absences	13,490	2,900	5,531	10,859	1,000
	<u>\$ 428,490</u>	<u>\$ 2,900</u>	<u>\$ 85,531</u>	<u>\$ 345,859</u>	<u>\$ 81,000</u>

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

5. LONG-TERM LIABILITIES: (CONT'D)

Business Activities:

	Balance 7/01/07	Increases	Decreases	Balance 6/30/08	Amount Due Within One Year
Compensated Absences	1,262	200	127	1,335	--

Compensated absences for governmental and business activities typically have been liquidated from the General and Special Education Funds.

Capital Outlay Certificates:

The Wolsey School District No. 2-5 issued \$645,000 of Capital Outlay Refunding Certificates, Series 2004 on May 19, 2004.

The certificates are payable from January 15, 2005 through January 15, 2012 with fixed interest rates from 1.25% to 3.9% that varies depending on the term of maturity.

The Capital Outlay Fund makes payment on this debt.

The obligation stays with the Wolsey School District No. 2-5 land and did not attach to all the land in the consolidated

Wolsey-Wessington School District No. 2-6 \$ 335,000

Compensated Absences \$ 10,859

The annual requirements to amortize the Capital Outlay Certificates outstanding at June 30, 2008, are as follows:

	Capital Outlay Certificates		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	80,000	12,015	92,015
2010	80,000	9,455	89,455
2011	85,000	6,655	91,655
2012	90,000	3,510	93,510
	<u>\$ 335,000</u>	<u>\$ 31,635</u>	<u>\$ 366,635</u>

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

6. INTERFUND ACTIVITY:

Transfers to/from other funds at June 30, 2008, consist of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	5,163	14,000
Capital Outlay Fund	--	4,203
Special Education Fund	--	841
Pension Fund	--	119
Food Service Fund	14,000	--

7. RESTRICTED NET ASSETS:

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 421,279
Special Education	Law	77,716
Pension	Law	18,907
Food Service	Federal Regulation	7,562
		<u>\$ 525,464</u>

8. DESIGNATED FUND BALANCES:

As authorized by SDCL 13-11-2, the school board has determined that a year-end minimum unreserved fund balance of \$135,328 is necessary to protect the school district's cash liquidity from July 1, through mid-November of the subsequent fiscal year. This amount is reported as Unreserved Fund Balance Designated for Cash Flow Funding in the General, Special Education and Pension Funds.

9. RETIREMENT PLAN:

All employees, except for non-contracted staff, participate in the South Dakota Retirement System, (SDRS) a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

9. RETIREMENT PLAN: (CONT'D)

amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ended June 30, 2008, 2007 and 2006 were \$60,607, \$57,772, and \$61,477 respectively, equal to the required contributions each year.

10. RISK MANAGEMENT:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2008, the School District managed its risks as follows:

Employee Health Insurance

The school district joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

The school district does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

10. RISK MANAGEMENT: (CONT'D)

Workmen's Compensation

The School District purchases liability insurance for workmen's compensation from a commercial carrier.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2008, no claims for unemployment benefits were paid. At June 30, 2008, no claims had been filed for unemployment benefits but there was a possibility for claims to be filed in the next fiscal year.

11. CONSORTIUM INFORMATION:

The School District participates in the North Central Perkin's Consortium for the purpose of providing educational services to the member school districts.

The members of the consortium are as follows with each member district having a determined allocation:

Hitchcock-Tulare School District No. 56-6	Conde School District No. 56-1
Hyde County School District No. 34-1	Doland School District No. 56-2
Faulkton Area School District No. 24-3	Redfield School District No. 56-4
Gettysburg School District No. 53-1	Clark School District No. 12-2
Miller Area School District No. 29-3	Bowdle School District No. 22-1
Wolsey-Wessington School District No. 2-6	Hoven School District No. 53-2

The vocational instructors from each participating school district request funds which are approved by the state. Any allocation of and spending of funds is also approved by the state. The Redfield School District acts as the fiscal agent for this consortium.

Financial data for this venture is available from the Redfield School District. At June 30, 2008, this venture had total fund equity of \$847 and no long-term debt.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 597,075	\$ 597,075
Prior Years' Ad Valorem Taxes	5,000	5,000
Tax Deed Revenue	-	-
Gross Receipts Taxes	46,000	46,000
Penalties and Interest on Taxes	1,500	1,500
Tuition and Fees		
Summer School Fees	-	-
Earnings on Investments and Deposits	6,000	6,000
Cocurricular Activities:		
Admissions	12,000	12,000
Rentals	700	700
Other Pupil Activities	1,500	1,500
Other Revenue from Local Sources:		
Rentals	300	300
Donations	1,000	1,000
Daycare Services	5,000	5,000
Other	5,000	5,000
Revenue from Intermediate Sources:		
County Sources:		
County Apportionment	15,000	15,000
Revenue in Lieu of Taxes	5,000	5,000
Other Intermediate	-	-
Revenue from State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	642,352	642,352
Other State Revenue	-	-
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	66,555	66,555
Other Federal Revenue	44,055	44,055
Total Revenue	1,454,037	1,454,037

ACTUAL AMOUNTS (BUDGETARY BASIS)		VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)	
\$	623,825	\$	26,750
	3,387		(1,613)
	50		50
	70,069		24,069
	1,814		314
	3,875		3,875
	6,845		845
	13,601		1,601
	985		285
	3,079		1,579
	-		(300)
	-		(1,000)
	4,500		(500)
	26,467		21,467
	24,010		9,010
	6,345		1,345
	43,331		43,331
	598,360		(43,992)
	24,091		24,091
	126,016		59,461
	28,917		(15,138)
	<u>1,609,567</u>		<u>155,530</u>

REQUIRED SUPPLEMENTARY INFORMATION
WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Expenditures:		
Instruction:		
Regular Programs:		
Elementary	242,110	242,110
Middle School	179,391	199,391
High School	244,957	256,457
Special Programs:		
Educationally Deprived	70,069	79,369
Support Services:		
Pupils:		
Attendance and Social Work	550	550
Health	6,609	6,609
Support Services - Instructional Staff:		
Improvement of Instruction	4,023	33,063
Educational Media	26,042	27,042
Support Services - General Administration:		
Board of Education	23,008	23,008
Executive Administration	97,002	101,002
Support Services - School Administration:		
Office of the Principal	49,202	49,202
Other	-	-
Support Services - Business:		
Fiscal Services	51,593	52,593
Operation and Maintenance of Plant	220,171	220,171
Pupil Transportation	103,520	106,020
Community Services:		
Custody and Care of Children	49,710	49,710
Cocurricular Activities:		
Male Activities	-	2,800
Female Activities	-	-
Transportation	-	-
Combined Activities	67,777	67,777
Contingencies	30,000	30,000
Amount Transferred (Enter as Negative)	-	(30,000)
Total Expenditures	1,465,734	1,516,874
Excess of Revenue Over (Under) Expenditures	(11,697)	(62,837)
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	35,264	35,264
Sale of Surplus Property	-	-
Total Other Financing Sources	35,264	35,264
Net Change in Fund Balances	(46,961)	(98,101)
Fund Balance - Beginning	595,838	595,838
Fund Balance - Ending	\$ 548,877	\$ 497,737

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
223,509	18,601
202,200	(2,809)
265,960	(9,503)
75,790	3,579
7	543
6,244	365
44,576	(11,513)
22,405	4,637
16,216	6,792
99,238	1,764
48,049	1,153
696	(696)
52,846	(253)
209,176	10,995
104,890	1,130
46,565	3,145
14,916	(12,116)
14,507	(14,507)
4,641	(4,641)
29,594	38,183
-	30,000
-	(30,000)
1,482,025	34,849
127,542	190,379
5,163	5,163
(14,000)	21,264
455	455
(8,382)	26,882
119,160	217,261
595,838	-
\$ 714,998	\$ 217,261

REQUIRED SUPPLEMENTARY INFORMATION
WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 277,223	\$ 277,223
Prior Years' Ad Valorem Taxes	1,000	1,000
Penalties and Interest on Taxes	500	500
Earnings on Investments and Deposits	-	-
Other Revenue From Local Sources:		
Other	-	-
Revenue From State Sources:		
Other State Revenue	-	-
Total Revenue	278,723	278,723
Expenditures:		
Instruction:		
Regular Programs:		
Elementary	30,500	30,500
Middle School	27,000	27,000
High School	27,000	32,500
Support Services:		
Support Services - Instructional Staff:		
Educational Media	-	200
Support Services - General Administration:		
Superintendent's Office	-	500
Support Services - Business:		
Fiscal Services	6,000	6,000
Operation and Maintenance of Plant	75,000	166,500
Pupil Transportation	20,497	45,497
Food Service	-	-
Debt Services	92,726	95,226
Total Expenditures	278,723	403,923
Excess of Revenue Over (Under) Expenditures	-	(125,200)
Other Financing Sources (Uses):		
Transfer Out	-	-
Net Change in Fund Balances	-	(125,200)
Fund Balance - Beginning	319,501	319,501
Fund Balance - Ending	\$ 319,501	\$ 194,301

ACTUAL AMOUNTS (BUDGETARY BASIS)		VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	
\$	378,294	\$	101,071
	1,661		661
	999		499
	4,203		4,203
	2,539		2,539
	2,500		2,500
	390,196		111,473
	25,745		4,755
	24,231		2,769
	31,711		789
	150		50
	397		103
	443		5,557
	105,895		60,605
	1,361		44,136
	22,439		(22,439)
	94,915		311
	307,287		96,636
	82,909		208,109
	(4,203)		(4,203)
	78,706		203,906
	319,501		-
\$	398,207	\$	203,906

REQUIRED SUPPLEMENTARY INFORMATION
WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 193,254	\$ 193,254
Prior Years' Ad Valorem Taxes	1,500	1,500
Penalties and Interest on Taxes	450	450
Earnings on Investments and Deposits	-	-
Revenue from State Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	14,693	14,693
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from		
Federal Government Through the State	47,553	47,553
Other Federal Revenue	1,622	1,622
Total Revenue	259,072	259,072
Expenditures:		
Instruction:		
Special Programs:		
Programs for Special Education	224,970	224,970
Support Services:		
Pupils:		
Guidance	15,000	25,000
Psychological	10,000	10,000
Speech Pathology	37,750	37,750
Student Therapy Services	14,000	14,000
Special Education:		
Transportation Costs	5,906	5,906
Other Special Education Costs	1,150	1,150
Total Expenditures	308,776	318,776
Excess of Revenue Over (Under) Expenditures	(49,704)	(59,704)
Other Financing Sources (Uses):		
Transfer In	20,000	20,000
Transfer Out	-	-
Total Other Financing Sources (Uses):	20,000	20,000
Net Change in Fund Balances	(29,704)	(39,704)
Fund Balance - Beginning	40,554	40,554
Fund Balance - Ending	\$ 10,850	\$ 850

ACTUAL AMOUNTS (BUDGETARY BASIS)		VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	
-------------------------------------	--	--	--

\$	236,676	\$	43,422
	1,011		(489)
	618		168
	841		841
	5,578		(9,115)
	50,914		3,361
	-		(1,622)
	295,638		36,566
	208,449		16,521
	22,360		2,640
	7,436		2,564
	26,313		11,437
	4,893		9,107
	178		5,728
	404		746
	270,033		48,743
	25,605		85,309
	-		(20,000)
	(841)		(841)
	(841)		(20,841)
	24,764		64,468
	40,554		-
\$	65,318	\$	64,468

REQUIRED SUPPLEMENTARY INFORMATION
WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
BUDGETARY COMPARISON SCHEDULE
PENSION FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 48,300	\$ 48,300
Prior Years' Ad Valorem Taxes	300	300
Penalties and Interest on Taxes	50	50
Earnings on Investments and Deposits	-	-
Total Revenue	48,650	48,650
Expenditures:		
Instruction:		
Regular Programs:		
Elementary	10,193	10,193
Middle School	7,595	7,595
High School	9,967	9,967
Special Programs:		
Educationally Deprived	8,751	8,751
Support Services - Instructional Staff:		
Educational Media	563	563
Support Services - General Administration:		
Executive Administration	4,555	4,555
Support Services - School Administration:		
Office of the Principal	2,340	2,340
Support Services - Business:		
Fiscal Services	1,920	1,920
Operation and Maintenance of Plant	897	897
Cocurricular Activities:		
Male Activities	-	-
Female Activities	-	-
Combined Activities	1,869	1,869
Total Expenditures	48,650	48,650
Excess of Revenue Over (Under) Expenditures	-	-
Other Financing Sources (Uses):		
Transfers Out	-	-
Net Change in Fund Balances	-	-
Fund Balance - Beginning	12,043	12,043
Fund Balance - Ending	\$ 12,043	\$ 12,043

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
-------------------------------------	--

\$	50,709	\$	2,409
	215		(85)
	132		82
	119		119
	51,175		2,525

9,644	549
7,595	-
9,967	-

6,880	1,871
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563	-
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4,555	-
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2,340	-
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1,920	-
1,887	(990)

438	(438)
494	(494)
821	1,048

47,104	1,546
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4,071	4,071
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(119)	(119)
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3,952	3,952
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12,043	-
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\$	15,995	\$	3,952
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REQUIRED SUPPLEMENTARY INFORMATION

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2008

1. BASIS OF PRESENTATION:

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the budgetary Required Supplementary Information Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

2. BUDGETS AND BUDGETARY ACCOUNTING:

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year. The proposed budget is published for public review no later than July 15 each year. Public hearings are held to solicit taxpayer input prior to the approval of the budget. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- b. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in Item (d).
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2008

2. BUDGETS AND BUDGETARY ACCOUNTING: (CONT'D)

- e. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds.

No encumbrances were outstanding at June 30, 2008.

- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- g. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).